

REMARKS

This Amendment is made in response to the Office Action dated September 17, 2001. A Request for Extension of Time is enclosed to permit the filing of this Amendment in the first month. Response to each objection and rejection will be made below.

With respect to the objections to the drawings, Applicant has made by this Amendment a description of Fig. 11 to the specification and reference to both elements 42 and 62 at page 6 of the specification thus fully satisfying the Examiner's objections to the drawings.

In response to the objections to the specification, Applicant has added an apparatus claim to this application. to support the present title. Further, applicant has capitalized the trademarks though out the specification. Further with regard to Figures 3 - 8, applicant has amended page 6, lines 13 and 22; page 7, line 17; page 8, lines 14, 15 and 23; and page 9, lines 17, 19 and 22 as suggested by the examiner, whereby the Examiner's objection to the specification has been cured.

In response to the rejection of claims 4 and 19 as being indefinite under 35 USC Section 112, 2nd Par., Applicant has amended claim 4 to depend from claim 2 as suggested by the Examiner and claim 19 to depend from claim 16 to provide the necessary support for recitations in claims 4 and 19, whereby the requirements of Par. 2 are satisfied.

Applicant respectfully traverses the rejection of claims 1 - 8, 28 and 29 as being anticipated under 35 USC Sec. 102 by U.S. Patent No. 5, 812,987 of Luskin et al. In this

regard, note that claim 1 has been rewritten as claim 30, from which claims 28 and 29 have been amended to depend. Applicant's invention relates to a method as recited in claim 30 of (a) "assigning each security of said population to a corresponding one industry group of a plurality" thereof, (b) "summing said data element of each security of said population to provide an industry total" and (d) "allocating an industry allocation to at least one industry group". Applicant respectfully asserts that Luskin et al. does not teach any of steps a, b and d, much less the entire method as recited in claim 30. In particular, Applicant has reviewed each of the portions of Luskin et al. cited by the Examiner regarding the assigning step without finding Applicant's recited step (a); the mere storage of industry data taught by Luskin et al. does not anticipate the recited step. Likewise the portions relied upon by the Examiner to meet step (b) of summing do not teach the summing of data elements for determining an industry total of said data elements for " each of said corresponding industry groups of said plurality".

Applicant further asserts that the Examiner has not established a prima facie rejection of claims 28 and 29 in view of Luskin et al. for at least several reasons. First, each of claims 28 and 29 depend in sequence on claims 10, 31 and 30 (formerly claim 1). In particular, the Examiner has not demonstrated or even asserted that Luskin et al. disclose the subject matter of claim 10. In this regard, Applicant respectfully asserts that Luskin et al. does not disclose the allocation of "said industry allocation among a selected one or more of said securities of said one industry group" as recited in claim 10, much less the allocating the "industry allocation among all of said securities of said one industry group" as recited in claim 28 as amended.

Applicant respectfully traverses and requests reconsideration of the rejection of claims 1 - 3, 9 - 18, 20, 28 and 29 as being anticipated under 35 USC Sec. 103 over a December 4, 1998 filing with the Securities and Exchange Commission (SEC Filing) for at least the following reasons. First, the Examiner has failed to comply with Section 707.05(e) "Data Used in Citing References, ELECTRONIC DOCUMENTS" and, in particular, the date when the document was retrieved from the electronic media and the date publication (see page 700-94). Secondly, the Applicant respectfully asserts that the Examiner has not established that the referenced SEC Filing is a publication under the provisions 35 USC Sections 102 or 103. Thirdly even if deemed to be a publication, Applicant asserts that the SEC Filing does not anticipate, much less obviate, at least claims 2 - 8, 13 - 29 and 35 - 47.

With regard to his second point, Applicant respectfully asserts that the Examiner has not made a prima facie showing that the SEC Filing is a publication for anticipation or obviousness purposes, much less has satisfied the publication requirements as set out in the MPEP, namely Section 2128 "'Printed Publications' as Prior Art" and 2128.01 "Level of Public Accessibility". First, "[a] reference is proven to be a 'printed publication' 'upon a satisfactory showing that such document has disseminated or otherwise made available to the extent that persons interested and ordinarily skilled in the subject matter or art, exercising reasonable diligence, can locate it" (see Section 2128, page 2100-51 and, further, that "the one (in this instance, the Examiner) who wishes to characterize the information, in whatever form it may be, as a 'printed publication' *** should produce sufficient proof of its dissemination or that it has otherwise been available and accessible to persons concerned with the art to which the document relates and thus most likely to avail themselves of its

contents" (see Section 2128, page 2100-52). "Prior art disclosure on the Internet or on an on-line database are considered to publicly available as of the date the item was publicly posted" (see section 2128, page 2100-52). In turn, whether or not the SEC Filing is "publicly posted" or accessible depends on whether the alleged prior art document was indexed or cataloged. In this regard, Section 2128.01 cites *In re Cronyn*, 890 F.2d 1158, 13 USPQ2d 1070 (Fed. Cir. 1989), wherein the Federal Circuit held that a college thesis, which had not been indexed or cataloged but only identified by the name of the student author, was not "accessible to the public" and, thus, was not an effective reference. In this regard, the Examiner has indicated that the SEC Filing was accessed via the Internet, but has not offered any proof that the database or web site from which the applied reference was obtained was indexed or cataloged. In particular, there is no proof that the web site from which the SEC Filing was accessed had been cataloged by the use of metatags. Applicant respectfully asserts that the inclusion of the inventor's name and company on the applied reference, without any cataloging, does not meet requisite public accessibility to qualify the SEC Filing as a publication.

Further, Applicant respectfully asserts that at least claims 2 - 8, 13 - 18, 20 - 29, and 35 - 47 are not anticipated or obvious over the Luskin et al. patent or the SEC Filing whether each is taken alone or in combination or whether or not the SEC Filing qualifies as a publication with respect to this application.

First, Applicant respectfully traverses and requests reconsideration of the rejection of claims 2 - 8, all of which now depend from claim 40, as being anticipated by Luskin et al. Applicant respectfully asserts that Luskin et al. does not disclose the recitations of claim 40,

namely the method of (a) assigning each security of a population to a particular industry, (b) summing the data elements to obtain an industry total, (c) allocating an industry allocation to each industry group, and (d) repeating step a) at selected times. Applicant asserts that Luskin et al. does not teach steps (a), (b) and (c) as discussed in detail above, much less step (d) of repeating step a) of assigning at selected times therefrom.

Similarly, Applicant respectfully asserts that independent claim 40 and claims 2 -8 and 41 dependent therefrom are neither anticipated nor obviated over the SEC Filing, even if it should be deemed to be a publication. In particular, independent claim 40 recites the step d) of repeating the step a) of assigning to accurately account for those securities that have changed their industry.

Second, Applicant respectfully asserts that independent claim 35, and claims 36 and 37 dependent therefrom, are neither anticipated by Luskin et al. or the SEC Filing (if it should be finally deemed to be a publication) whether taken singly or in combination. In particular, independent claim 35 recites step (d) for "setting said number of securities in accordance with said magnitude of said industry total of said one industry group", which is not taught by either of these references.

Third, Applicant respectfully asserts that independent claim 38 and claim 39 dependent therefrom are neither anticipated by Luskin et al. or the SEC Filing (if it should be finally deemed to be a publication), whether taken singly or in combination. In particular, independent claim 38 recites the step c) of "comparing said industry total ... with a limit ... and, if less, allocating an industry allocation ... to at least one security" of the group, step (d)

if the industry is greater, "allocating said industry allocation ... to at least two securities" and step (d) of "setting said limit to a given magnitude, whereby said industry allocation to any one security of said one industry group may not exceed said given magnitude", which is not taught by either of these references.

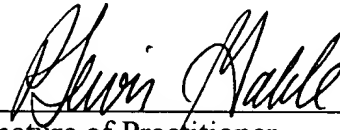
Fourth, Applicant respectfully asserts that independent claim 42 and claim 43 dependent therefrom are neither anticipated by Luskin et al. nor the SEC Filing (if it should be finally deemed to be a publication), whether taken individually or in combination. In particular, independent claim 41 recites (d) "determining whether one of said plurality of securities" ... is greater than another" of the same group "by a predetermined amount and, if not, allocating said industry allocation substantially equally" to the two securities, which is not taught by either of these references. The Examiner admits that neither Luskin et al. at page 18, line 21 et seq. of the outstanding Office Action nor U.S. Patent 5,819,238 of Fernholtz at page 19, line 19 et seq. disclose this recitation. In the admitted absence of any teaching of this recitation based on Luskin et al. or Fernholtz, the Examiner at page 20 of the outstanding Office Action takes in effect official notice of such recitation in the prior art base based upon a motivation to support investment in such funds. Applicant respectfully challenges and traverses such notice because it does not comply with Section 2144.03 of the MPEP. First as provided for in the MPEP, this teaching is not "capable of instant and unquestionable demonstration as being well known". Further Applicant's rational for evenly splitting the allocation among the securities of equal size is to render the allocation more accurate, which differs substantially the Examiner's rational. Thus, Applicant respectfully

traverses the Examiner's taking of official notice and requests the Examiner to cite a references that fully shows the recitations of claims 42 and 43.

Fifth, Applicant respectfully asserts that independent claim 44, and claims 45 and 46 dependent therefrom are neither anticipated by Luskin et al. nor the SEC Filing (if it should be finally deemed to be a publication), whether taken individually or in combination. In particular, independent claim 44 recites step (b) of "selecting said data element from a plurality of different kinds of data elements to provide a particular style of investing corresponding to said selected data element", which is not taught by either of these references..

Sixth, Applicant respectfully asserts that independent claim 47 (formerly claims 12 and 16) and claims 13 - 29 dependent therefrom are neither anticipated by Luskin et al. nor the SEC Filing (if it should be finally deemed to be a publication), whether taken individually or in combination. In particular, independent claim 46 recites step c) of "dividing selectively an industry allocation into at least first and second parts thereof"; step (d) of "allocating said first and second parts selectively among two of said corresponding securities of said one industry group having the largest data elements", and step e) of "comparing said first part to said set amount and, if less than or equal to said set amount, said first part is set equal to said set amount", which is not taught by either of these references. At page 13 of the outstanding Office Action, the Examiner takes notice of these recitations. Relying upon the MPEP as detailed above, Applicant respectfully traverses and challenges said notice and requests that the Examiner site a reference to support his notice.

In view of the above discussion, Applicant respectfully asserts that each of the objections and rejections posed in the outstanding Office Action have been overcome and that this application is in condition for allowance, which action is requested. If the Examiner is unable to allow this application, he is requested to place a telephone call to the undersigned to suggest those changes that will lead to an early allowance of this application.



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UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant or Patentee: Gerald P. Sullivan

Serial No. or Patent No.: 09/624,732

Filed or Issued: July 25, 2000

Art Unit: 2165

Examiner: James Zurita

Title: APPARATUS AND METHOD FOR CREATING AND MANAGING A
FINANCIAL INSTRUMENT

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Technology Center 2100

Assistant Commissioner for Patents
Washington, D.C. 20231

January 17, 2002

(Submission to Accompany Response to Office Action, dated September 17, 2001)

Version of Amended Claims with Markings to Show Changes Made

1. Cancel claim.
2. (Amended) The method of claim [1] 41, wherein there is further included the step of updating on a periodic cycle the data elements of at least some of said securities of said population [of securities on a periodic cycle].
3. (Amended) The method of claim 2 , wherein said updating step updates on a fixed cycle all of said data elements of securities of said population [of securities on a fixed cycle].
4. (Amended) The method of claim [1] 40, wherein said [updating] step d reassigns [updates] on a periodic cycle the industry of the securities of each of said plurality of industry groups [on a periodic cycle].

5. (Amended) The method of claim 4, wherein the industry of the securities of each industry group is [updated] reassigned on a different periodic cycle.

6. (Amended) The method of claim [2] 4, wherein said plurality of securities are subdivided into a plurality of editions.

7. (Amended) The method of claim 6, wherein each edition of said plurality is [updated] reassigned on a cycle that is staggered from the cycles of the other editions of said plurality.

9. Cancel claim

10. (Amended) The method of claim [9] 31, wherein said step of [distributing distributes said one investment portion] allocating allocates said industry allocation among a selected one or more of said securities of said [corresponding] one industry group.

11. (Amended) The method of claim 10, further comprising the step of selecting at least one security of said securities assigned to said [corresponding] one industry group that has the largest data element of said securities assigned to said [corresponding] one industry group.

12. Cancel claim.

13. (Amended) The method of claim [12] 46, further comprising a step of ranking said securities of said [corresponding] one industry group according to the magnitude of their data elements.

14. (Amended) The method of claim [9] 46, wherein there is included a step of limiting [said one investment portion to one security of said corresponding industry group to] the security allocation to each security of said population so as not to exceed a set amount.

15. (Amended) The method of claim 14, wherein said set limit is set as a [second] proportion of said [fund] universe total.

16. (Amended) The method of claim [12] 47, wherein there is included a step of limiting [one] said first part [of said plurality of parts of said one investment portion to not] so as not to exceed a set amount.

17. (Amended) The method of claim 16, wherein said set amount is set as a [second] proportion of said [fund] universe total.

18. (Amended) The method of claim [17] 15, wherein said [second] proportion is 2.25%.

19. (Amended) The method of claim [12] 16, wherein there is included a step of comparing said [one] first part to said set amount and, if less than or equal to said set amount, said [one] first part is set equal to said set amount.

20. (Amended) The method of claim [19] 47, wherein there is further included a step of ranking at least two of said securities of said corresponding industry group according to the magnitude of their data elements to provide at least first and second ranked securities.

22. (Amended) The method of claim 21, wherein if said first ranked security is not larger than said second ranked security by said certain amount, said allocating step allocates said [one] first part equally among said first ranked security and said second ranked security.

23. (Amended) The method of claim [16] 47, wherein there is further included a step of setting at least first and second limits as different whole multiples of said set amount respectively.

24. (Amended) The method of claim 23, wherein said second limit is greater than said first limit, and there is further included the step of comparing said [investment portion] industry allocation to said first limit and, if greater, setting said first part equal to said set amount and allocating said first part to a first security of said [corresponding] one industry group.

25. (Amended) The method of claim 23, wherein if said [investment portion] industry allocation is less than said first limit, setting said first part to less than said set amount and allocating said first part to a first security of said [corresponding] one industry group.

26. (Amended) The method of claim 24, wherein if said [investment portion] industry allocation is greater than said first limit, comparing said [investment portion] industry allocation to said second limit and, if less, setting [a] said second part equal to said set amount and allocating said second part to a second security of said [corresponding] one industry group.

31. The method of claim 30, wherein there is included the step of determining the amount of the industry allocation for a selected one industry group as the product of said investment and the industry total for said one industry group divided by the universe total.

32. The method of claim 30, wherein there is included the step of determining the amount of the industry allocation for a selected one industry group as dependent on said investment.

33. The method of claim 30, wherein there is included the step of determining the amount of the industry allocation for a selected one industry group as dependent on said industry total.

34. The method of claim 30, wherein there is included the step of determining the amount of the industry allocation for a selected one industry group as dependent on said universe total.

35. A method of allocating an investment among a population of securities, each security of said population having at least one corresponding data element, said method comprising the steps of:

a) assigning each security of said population to a one industry group of a plurality of industry groups;

b) summing said data element of each security of said one industry group to provide an industry total of the data elements of said one [corresponding] industry group;

c) allocating an industry allocation to a selected number of securities of said one industry group; and

d) determining the magnitude of said industry total of said one industry and setting said number of securities in accordance with said magnitude of said industry total of said one industry group.

36. The method of claim 35, wherein there is included the further steps of comparing said industry total of said one industry group with a first limit and, if less, allocating said industry allocation of said one industry group to at least one security of said one industry group, and if said industry total of said one industry group is greater than said first limit, allocating said industry allocation to at least two securities of said one industry group.

37. The method of claim 35, wherein there is further included the step of reiteratively comparing said industry allocation of said one industry group with at least first and second limits, said second limit being greater than said first limit; if said industry allocation of said one industry group is greater than said first limit, allocating said industry allocation of said one industry group among a first number of securities of said one industry group; and if said industry allocation of said one industry group is greater than said second limit, allocating said industry allocation of said one industry group among a second number of securities of said one industry group, said second number being greater than said first number.

38. A method of allocating an investment among a population of securities, said method comprising the steps of:

a) assigning each security of said population to a corresponding one industry group of a plurality of industry groups;

b) summing the value of each security of said one industry group to provide an industry total of said one industry group;

c) comparing said industry total of said one industry group with a limit of a selected magnitude and, if less, allocating an industry allocation of said one industry group to at least one security of said one industry group;

d) if said industry total of said one industry group is greater than said limit, allocating said industry allocation of said one industry group to at least two securities of said one industry group; and

e) setting said limit to a given magnitude, whereby said industry allocation to any one security of said one industry group may not exceed said given magnitude.

39. A method of claim 38, wherein there is further included the step of comparing said industry total of said one industry group with a second limit and, if greater, allocating said industry allocation of said one industry group to at least three securities, said magnitude of said second limit being set to a magnitude equal to twice said given magnitude, whereby said industry allocation to any security of said one industry group may not exceed said given magnitude.

40. A method of allocating an investment among a population of securities, each security having at least one corresponding updatable data element, said method comprising the steps of:

a) assigning each security of said population to a corresponding industry group of a plurality of industry groups;

b) summing said data element of each security of said population to provide an industry total of the data element for each of said corresponding industry groups and an universe total of the data elements of each security of said population;

c) allocating an industry allocation to each to each industry group of said plurality;
and

d) repeat step a) of assigning at selected times to accurately account for those securities which has changed their industry.

41. The method of claim 40, wherein there is further included the step of accessing a real time source of the current value of said data element of each security of said population and updating at selected times the values of said data elements of said securities of said population.

42. A method of allocating an investment among a population of securities, each security of said population having at least one corresponding data element, said method comprising the steps of:

a) assigning each security of said population to a corresponding one industry group of a plurality of industry groups;

b) summing said data element of each security of said one industry group to provide an industry total of the data elements of said one industry group;

c) allocating an industry allocation to a plurality of securities of said one industry group; and

d) determining whether one of said plurality of securities of said one industry group is greater than another of said plurality of securities of said one industry group by a predetermined amount and, if not, allocating said industry allocation substantially equally to said one and said other securities of said one industry group.

43. The method of claim 42, wherein if said one security is greater than said other security of said one industry group by more than said predetermined amount, allocating said allocation only in the greater of said one and said other securities.

44. A method of allocating an investment among a population of securities, each security of said population having at least one corresponding data element, said method comprising the steps of:

a) summing said data element of each security of said population to provide an universe total of the data elements of each security of said population; and

b) selecting said data element from a plurality of different kinds of data elements to provide a particular style of investing corresponding to said selected data element.

45. The method of claim 44, wherein said selected data element is common share holder equity.

46. The method of claim 44, wherein said plurality of data elements include common shareholder's equity, market capitalization, net income, net revenue, net earnings and total assets.

47. A method of allocating an investment among a population of securities, each security having at least one corresponding data element, said method comprising the steps of:

a) assigning each security of said population to a corresponding one industry group of a plurality of industry groups;

b) summing said data element of each security of said population to provide an industry total of the data elements of each of said corresponding industry groups of said plurality and a universe total of the data elements of each security of said population; and

- c) dividing selectively an industry allocation into at least first and second parts;
- d) allocating said first and second parts selectively among two of said corresponding securities of said one industry group having the largest data elements; and
- e) comparing said first part to a set amount and, if less than or equal to said set amount, said first part is set equal to said set amount. --



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UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant or Patentee: Gerald P. Sullivan

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Filed or Issued: July 25, 2000

Art Unit: 2165

Examiner: James Zurita

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Title: APPARATUS AND METHOD FOR CREATING AND MANAGING A FINANCIAL INSTRUMENT Technology Center 2100

Assistant Commissioner for Patents
Washington, D.C. 20231

January 17, 2002

(Submission to Accompany Response to Office Action, dated September 17, 2001)

Version of Replacement Specification Pages

In a still further aspect of the invention, the part of the investment portion allocated to a single security is set to not exceed a predetermined amount.

Brief Description of the Drawings

Figure 1 illustrates how the universe of equities is determined for all applications of this invention. There are common exclusions to the chosen universes that are predetermined. Figure 1 builds a frame broken down by industry that includes all companies to be aggregated by the invention.

Figure 2 illustrates how different data elements are used to create a universe aggregation that generates the portfolio allocation for a given industry. As different data elements are intruded into the process, different investment allocations by industry are created.

Figures 3-8 illustrate how an industry is represented by a unique set of leaders. This process has 6 steps of iteration available per industry. A fixed monthly allocation is created for each company that represents its industry.

Figure 9 illustrates the model mechanics in an algebraic expression.

Figure 10 illustrates an example of this invention's portfolio for the data element of common shareholders equity.

Figure 11 illustrates the allocation of an investment share to each security of an industry.

Detailed Description of the Invention.

The following example describes an illustrative embodiment of this invention with common shareholders equity as a selected data element input. Each application of the invention (using different data element inputs) creates a different investment strategy.

This illustrative embodiment produces a principal investment strategy that invests in a broad number of industries and companies with the highest common stockholders' equity in

their respective industries and produces a portfolio of approximately 95 to 110 companies that can be systematically managed to replicate the specified investment allocations.

Referring now to Figure 1, there is shown data that is brought into the data processing system of this invention. Utilizing a public, published universe of equities, we sort the equities into their primary industries and prepare the system to incorporate data. Imported data can be incorporated from any known source including, among others, STANDARD & POORS COMPUSTAT®, THE VALUE LINE INVESTMENT SURVEY® and BLOOMBERG®. For this illustrative embodiment of the data processing system, we have chosen to illustrate our data processing system using the VALUE LINE INVESTMENT SURVEY® (“VALUE LINE®”) found in step 2. VALUE LINE® lists approximately the 1,700 of the largest publicly traded companies and classifies each company into an industry category, and is a good source to provide the contents of industries and representative companies for the previous 14 years. This established a fluid universe of equities to which we apply the data processing system. Step 4 sorts the industries and companies within each industry and formats them in a way that allows the data processing system to allow the universe to be refined.

To differentiate portfolios into international or domestic the invention using step 6 may exclude any population of equities or industries that an investment manager may choose in order to create a desired portfolio. Step 8 embodies an example of exclusions that are used for this illustration. The invention excludes from this illustrative example companies that are in the following foreign industries: Canadian Banks, Canadian Energy, Foreign Electronics/Entertainment and Foreign Telecommunications. VALUE LINE® publishes some data on investment companies which are excluded (closed-end domestic, foreign models, and income funds). We exclude from the universe companies whose shares are not directly traded in the United States (*e.g.*, American Depositary Receipts, commonly referred to as “ADRs”). Finally, the present system excludes from the universe companies included in VALUE LINE® as “miscellaneous” but which have not yet been assigned an Industry category because the invention does not assign industry categorization. The portfolio created from steps 6 and 8 will include domestic multinational corporations, but a smaller number of

foreign companies, which do not have the same data reporting requirements as domestic corporations.

Step 10 uses the universe “update cycle” to determine how often changes are made to a given industry. An update cycle is the frequency to which the universe is modified by the publisher. Value Line changes their industry compositions every 3 months (1 quarter) and the cycle is set to 1 quarter. STANDARD and POORS® and BLOOMBERG® have different update cycles so step 10 would be different for these universes. In establishing this example universe of stocks, the invention also adjusts the Industry category of “Banks” to include “Banks Midwest” so as to unify the banking Industry analysis. Step 12 sorts the companies into the editions (weekly updates, numbering 13) found in Value Line which allows for an organized presentation of data from this data processing system. Step 14 highlights the update cycle found in the universe and this illustrative example describes the weekly update found in Value Line’s quarterly update cycle. Industries and companies are included in this invention only for the periods during which they are published in the chosen universe by step 12.

Figure 2 illustrates how a chosen data element is incorporated into the refined universe found in step 12. The invention has the ability to use any published data element for a public corporation. A data element is an input to which the data processing system is applied. Step 22 illustrates potential data elements such as market capitalization and net income, but is not a complete list of potential data inputs. Each data element that is applied to the invention produces a different investment style and therefore a different portfolio. Publicly available data is acquired, for example, electronically from the EDGAR database of the SEC for fundamental data elements like common shareholders equity, net income, net revenue, net earnings and total assets. A market data source such as Bloomberg is used to provide market capitalization data. The illustrative embodiment presented here uses common shareholders equity to produce a “Large Capitalized Value Styled Portfolio.” Step 24 acquires the chosen data element and imports the data into this data processing system.

Step 26 totals the data elements for all companies included in an industry for each month and step 28 totals the data elements for the selected universe. Finally, step 30 allocates

an industry investment, which is calculated from the industry total divided by the universe total as determined in step 28. This investment allocation is created on a systematic basis, e.g., monthly, and is denoted by variable I_n .

There are many ways to assign an investment allocation to an individual equity and create a unique portfolio. With the industry previously defined and a data element chosen, the individual investment allocation process can use one of 2 allocation options. An investment manager may choose to maintain a portfolio with a manageable number of equities (less than 200), or he can choose to have all industry members represented by their prominence with regard to the total industry amount (individual percent of data element with regard to the specific industry). The first method is illustrated in figures 3 through 8 and the second method is illustrated in figure 11.

The number of securities to which an industry investment or allocation is made depends on the size of the industry allocation. The size of the industry's investment allocation determines how many representatives are used. Therefore to create a portfolio, the data processing system applies a redundant iteration for each included industry of the defined universe. In choosing this allocation method, the investment manager would determine the maximum limit for the portfolio. Figure 3 through 8 illustrate the individual allocation limit to any one security is 2.25%. The example of 2.25% would limit an individual equity's portfolio representation to 2.25% of the total portfolio. By definition, the company with the largest data element for the given month would receive all of the industry's allocation determined by step 30.

As shown in figure 3, the process looks to determine the size of the industry in step 40. When the industry's allocation amount is below the 2.25% value, the process continues to step 44. If the industry is larger than 2.25% then step 42 directs the process to step 60. To determine the way a statistical tie would be broken, the data processing system allows for a significance test between the company with the largest data element and the next largest company. Step 44 illustrates a 2% value to determine if a statistical tie would be present and if so step 48 would split the allocation between the first 2 representatives of the industry. Step 46 would be used if no defined statistical tie is present, and the largest representative

would be allocated the entire amount of the industry allocation. Step 50 takes the next industry back to step 40.

Figure 4, step 60 would capture industries greater than or equal to 2.25% and less than 4.5%. If the industry is greater than 4.5% the test in step 62 would send the process to step 80, as more fully shown in figure 5. Step 64 tests the significance of the leader by the previously defined 2.0%, and if there is no tie the data processing system goes to step 66 and the leader is assigned 2.25% and the next closest company is assigned $(I_n - 2.25\%)$. Step 68 would split the total amount of the industry between the two largest companies in the industry if the 2% significance test is failed and a tie is determined. Step 70 takes the next industry back to step 40.

Figure 5, step 80 captures industries greater than or equal to 4.5% and less than 6.75% of the total portfolio allocation. If the industry is greater than 6.75%, step 80 would send the process to step 82 and be forwarded to step 120. Step 84 tests the significance of the leader (F_1) by the previously defined 2.0%. If there is no tie and the 2% significance test is passed, the data processing system goes to step 86 and the leader (F_1) is assigned 2.25% and forwarded to step 88 for the 2% significance test between the second (F_2) and third (F_3) largest companies. Step 90 has the second company (F_2) clearing the 2% significance test and gaining the 2.25% limit. Step 92 tests for the 2% significance test between the third (F_3) and fourth (F_4) largest companies. Step 94 captures a 2% significance test tie and would split the remaining amount of the industry $(I_n - 4.5\%)$ between (F_3) and (F_4) and forwarded to step 108 and forwarded back to step 40. Step 96 assigns 2.25% to (F_3) if the significance test in step 92 is passed and F_3 gained the remaining amount of the industry $(I_n - 4.5\%)$. Step 98 captures a tie of the step 84 significance test, and assigns F_1 and F_2 2.25%. Step 100 is a significance test with step 102 having the third leader F_3 capturing the remaining balance of the industry $(I_n - 4.5\%)$. From step 102 the data processing system forwards to step 108 and to be sent back to step 40. Step 104 represents a tie between F_3 and F_4 and allocates a split of the remaining balance of the industry $(I_n - 4.5\%)$ and forwarded to step 108. If step 106 determines a tie between F_2 and F_3 , the second and third securities with the largest equity,

the remaining balance of the industry allocation minus the 2.25% limit ($I_n - 2.25\%$) is, split equally between F_2 and F_3 , before the process moves to step 108.

Figure 6, step 120 captures industries greater than or equal to 6.75% and less than 9.0% of the total portfolio allocation. If the industry is greater than 9.0%, step 120 would send the process to step 122 and be forwarded to step 160. Step 124 tests the significance of the leader (F_1) by the previously defined 2.0%. If there is no tie and the 2% significance test is passed, the data processing system goes to step 126 and the leader (F_1) is assigned 2.25% and forwarded to step 128 for the 2% significance test between the second (F_2) and third (F_3) largest companies. Step 130 has the second company (F_2) clearing the 2% significance test and gaining the 2.25% limit and forwarded to step 132 and on to step 138. Step 134 assigns the tie between F_2 and F_3 2.25%, and forwarded to step 142. Step 136 captures the tie between F_1 and F_2 and assigns a value of 2.25%, and forwards to step 138. Step 138 tests for the 2% significance test between the third (F_3) and fourth (F_4) largest companies. Step 148 captures a 2% significance test tie and would split the remaining amount of the industry ($I_n - 4.5\%$) between (F_3) and (F_4) and forwarded to step 150 and forwarded back to step 40. Step 140 assigns 2.25% to (F_3) if the significance test in step 138 is passed. Step 142 is a significance test with step 144 having the fourth leader F_4 being assigned the remaining balance of the industry ($I_n - 6.75\%$). From step 144 the data processing system forwards to step 150 to be sent back to step 40. Step 146 represents a tie between F_4 and F_5 and allocates a split of the remaining balance of the industry ($I_n - 6.75\%$) and forwarded to step 150.

Figure 7, step 160 captures industries greater than or equal to 9.0% and less than 11.25% of the total portfolio allocation. If the industry is greater than 11.25% ,step 160 would send the process to step 162 and be forwarded to step 200. Step 164 tests the significance of the leader (F_1) by the previously defined 2.0%. If there is no tie and the 2% significance test is passed, the data processing system goes to step 166 and the leader (F_1) is assigned 2.25% and forwarded to step 168 for the 2% significance test between the second (F_2) and third (F_3) largest companies. Step 170 has the second company (F_2) clearing the 2% significance test and gaining the 2.25% limit and forwarded to step 172 and on to step 178. Step 174 assigns the tie between F_2 and F_3 2.25%, and forwarded to step 182. Step 176

captures the tie between F_1 and F_2 and assigns a value of 2.25%, and forwards to step 178. Step 178 tests for the 2% significance test between the third (F_3) and fourth (F_4) largest companies. Step 192 captures a 2% significance test tie and would assign 2.25% to both (F_3) and (F_4) and forwarded to step 194. Step 180 assigns 2.25% to (F_3) if the significance test in step 178 is passed. Step 182 is a significance test with step 184 having the fourth leader F_4 being assigned 2.25%. From step 184 the data processing system forwards to step 186 to apply the significance test to F_5 and F_6 . Step 190 represents a tie between F_5 and F_6 , and allocates a split of the remaining balance of the industry ($I_n - 9.0\%$) and forwarded to step 198. Step 196 identifies a tie between F_4 and F_5 , the fourth and fifth largest companies, and allocates a split of the remaining balance of the industry ($I_n - 6.75\%$) there between, before the process moves to Step 198. Step 188 captures a clearance of the significance test and assigns F_5 the balance of the industry allocation ($I_n - 9.0\%$). Step 198 takes the process back to step 40.

Figure 8, step 200 captures industries greater than or equal to 11.25% and less than 13.00% of the total portfolio allocation. If the industry is greater than 13.00%, step 202 would assign a limit on 13% to the industry and be returned back to step 200 with $I_n = 13.00\%$ (this size limit is included in this illustrative embodiment, but may be removed for other applications), Step 204 tests the significance of the leader (F_1) by the previously defined 2.0%. If there is no tie and the 2% significance test is passed, the data processing system goes to step 206 and the leader (F_1) is assigned 2.25% and forwarded to step 208 for the 2% significance test between the second (F_2) and third (F_3) largest companies. Step 210 has the second company (F_2) clearing the 2% significance test and gaining the 2.25% limit and forwarded to step 212 and on to step 218. Step 214 assigns the tie between F_2 and F_3 2.25%, and forwarded to step 226. Step 216 captures the tie between F_1 and F_2 and assigns a value of 2.25% to each company, and forwards to step 218. Step 218 tests for the 2% significance test between the third (F_3) and fourth (F_4) largest companies. Step 222 captures a 2% significance test tie and would assign 2.25% to both (F_3) and (F_4) and forwarded to step 224 and be forwarded to step 234. Step 220 assigns 2.25% to (F_3) if the significance test in step 218 is passed. Step 226 is a significance test between F_4 and F_5 with step 232 having the fourth leader F_4 clearing the significance test and being assigned 2.25%. Step 228 assigns F_4

and F_5 2.25% and is forwarded to step 230 and on to step 238. Step 234 applies the significance test to F_5 and F_6 . Step 244 represents a tie between F_5 and F_6 , and allocates a split of the remaining balance of the industry ($I_n - 9.0\%$) and forwarded to step 246. Step 236 captures a clearance of the significance test of step 234 and assigns F_5 2.25% and forwards the process to step 238 for a significance test between F_6 and F_7 . If F_6 clears the significance test of step 238, it is assigned the balance of the industry ($I_n - 11.25\%$) in step 240 and sent go step 246. Step 242 allocates the step 238 significance tie to F_6 and F_7 with a split of the remaining balance ($I_n - 11.15\%$). Step 246 takes the process back to step 40.

Figure 9 illustrates an algorithmic example of the illustrative embodiment, with an algorithmic example of the industries of the embodiment found in figure 10. When the data processing system is run, the following allocations of the illustrative embodiment are made to the respective companies as shown in Fig. 10.

Figure 11 illustrates the simple process of assigning each company of the chosen universe. If the more detailed portfolio is chosen by the investment manager, the data processing system would assign in step 300 the individual company's relative percent to the entire universe. Step 302 would include all members of the defined universe, and a large portfolio would be created.

HISTORICAL PERFORMANCE OF THE INVENTION (using the illustrative embodiment)

The following table compares the actual performance of the STANDARD and POOR'S® BARRA VALUE INDEX® (D ("S&P Barra Value") and the RUSSELL 1000 VALUE INDEX® ('Russell 1000 Value'), with the hypothetical results of the illustrative embodiment of the invention (common shareholders equity) for various historical periods. Total returns of the Strategy Model are returns on a hypothetical portfolio whose results have been approved by the SEC that are included in a Prospectus for a mutual fund composed of stocks selected by the Strategy Model (common shareholders equity) and re-balanced monthly.

The S&P Barra Value and the Russell 1000 Value are indexes that have -no costs or expenses of operation, however, its total return amounts reflect reinvestment of dividends for purposes of general comparison to this invention.

Comparative Historical Total Return Performance of this Invention

Please note that past results of this embodiment do not necessarily indicate future performance or earnings of the invention

Period	Industry Leaders Strategy	S&P Barra Value Index®	Russell 1000 Value Index®
1 year			
12/31/98-12/31/99	10.89%	12.69%	7.66%
3 years			
12/31/96-12/31/99	22.33%	18.87%	18.94%
5 years			
12/31/94-12/31/99	26.34%	22.93%	23.15%
10 years			
12/31/99-12/31/99	17.26%	15.36%	15/63%
13 Years			
12/31/86-12/31/99	16.94%	15.90%	15.87%